

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008

**EXPENDITURE**

**BUDGET 2007/2008**

EXPENDITURE TYPE	DEPARTMENTS							
	COUNCIL	MANAGER	FINANCE	CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	
SALARIES	4,343,082	1,313,870	1,709,888	1,443,986	590,948	481,425	2,025,511	1,709,888
GENERAL EXPENSES	1,060,000	3,942,356	1,665,000	800,000	1,960,000	144,000	996,500	1,665,000
REPAIRS & MAINTENANCE		10,000	20,000		805,000	12,000	-	805,000
CONTRIBUTION - LEAVE		12,000	12,000	12,000	12,345	14,890	19,679	12,000
CAPITAL EXPENDITURE		-	200,000		11,896,000		500,000	200,000
CONTRIBUTION - CDF	-	-			-	-	-	
CONTRIBUTION - RESERVES								
	<b>5,403,082</b>	<b>5,278,226</b>	<b>3,606,888</b>	<b>2,255,986</b>	<b>15,264,293</b>	<b>652,315</b>	<b>3,541,690</b>	<b>2,806,888</b>

**ACTUALS 2007/2008**

EXPENDITURE TYPE	DEPARTMENT							
	COUNCIL	MANAGER	FINANCE	CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	
SALARIES	3,962,628	1,195,435	1,591,486	1,302,484	604,324	438,964	1,513,698	1,591,486
GENERAL EXPENSES	807,845	3,060,402	1,460,019	654,983	318,995	105,571	1,048,065	1,460,019
REPAIRS & MAINTENANCE		7,188	6,940		837,774			6,940
LEAVE ENCASHMENT		61,485	88,541	83,176	29,748	34,327	66,553	88,541
CAPITAL EXPENDITURE		6,223	37,464		6,183,802			37,464
CONTRIBUTION - CDF		530,054						
CONTRIBUTION - RESERVES	-	4,055,946						
	<b>4,770,473</b>	<b>8,916,733</b>	<b>3,184,450</b>	<b>2,040,643</b>	<b>7,974,643</b>	<b>578,862</b>	<b>2,628,316</b>	<b>2,119,980</b>
Under/(over) Spending	632,609	(3,638,507)	422,438	215,343	7,289,650	73,453	913,374	529,992
Overall under/(over) Spending	11.71%	-68.93%	11.71%	9.55%	47.76%	11.26%	25.79%	18.52%

## **UMHLABUYALINGANA MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS** **for the year ended 30 June 2008**

#### **CHIEF FINANCIAL OFFICER'S REPORT**

##### **BACKGROUND**

Umhlabuyalingana Municipality is a grade two municipality within the Umkhanyakude District Municipality. It covers four traditional authorities; namely Tembe, Mashabane, Mabaso and Mbila. The Municipality has been in existence for six and half years and has 13 wards with 26 councillors. The Municipal area is mainly rural.

##### **CHALLENGES**

The municipality has been under extremely challenging conditions. It has to address challenges of Infrastructure, Tourism, Local economic development, poverty, Drought, GRAP implementation and getting other sources of revenue.

##### **1. OPERATING RESULTS**

Details of operating results per department are included in appendices D and E. The applicable statistics are shown in appendix F. For overall operating results for the year ended 30 June 2007 are as follows:

	ACTUALS 2007	ACTUAL 2008	VARIANCE 2007/2008	BUDGET 2008	VARIANCE % ACTUALS /BUDGET
<b>INCOME</b>					
Opening surplus	-	-		-	
Operating income for the year	44,843,623	34,293,561	-23.53%	39,031,753	-12.14%
Closing deficit	11,542,899	9,182,845	-20.45%	-	
	<b>56,386,522</b>	<b>43,476,406</b>		<b>39,031,753</b>	
<b>EXPENDITURE</b>					
Opening deficit	3,011,369	11,542,899	283.31%	-	
Operating expenditure for the year	53,534,038	32,199,926	-39.85%	38,881,753	-17.18%
Sundry transfers	(158,885)	266,420	-267.68%		
Closing surplus		-			
	<b>56,386,522</b>	<b>44,009,245</b>			

The capital expenditure on fixed assets during the year amounted to R 6 227 489 which is 53% less than the previous year. The actual expenditure is 46.11% less than budgeted for and consists of the following:

	2008 ACTUALS	2008 BUDGET	2007 ACTUALS	VARIANCE
Land and Buildings	1,126,600	7,396,000	2,180,361	-48.33%
Infrastructure	5,057,202	5,000,000	11,717,540	-56.84%
Other fixed assets	43,687	400,000	808,563	-94.60%
	<b>6,227,489</b>	<b>12,796,000</b>	<b>14,706,464</b>	<b>-57.65%</b>



## **UMHLABUYALINGANA MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS** **for the year ended 30 June 2008**

#### **CHIEF FINANCIAL OFFICER'S REPORT Continued.**

Resources used to finance the fixed assets were as follows:-

	<b>2008 ACTUALS</b>	<b>2008 BUDGET</b>	<b>2007 ACTUALS</b>
Capital development fund	-	-	-
Contribution from: Operating account	43,687	200,000	-
Reserves	-	-	-
Grants and Subsidies	21,221,859	12,396,000	14,706,464
	<b>21,265,546</b>	<b>12,596,000</b>	<b>14,706,464</b>

A complete analyses of capital expenditure (budgeted and actuals) is included in appendix C

### **3. FUNDS AND RESERVES**

More information regarding funds and reserves are disclosed in note 2 and appendix A to the Annual Financial Statements.

### **4. EXTERNAL LOANS, INVESTMENTS AND CASH**

The municipality's financial structure is currently grants and subsidies, no external loans have been secured. Investments and cash at 30 June 2008 amounted to R24 738.59 and an overdraft of R 1 086 044.03, respectively; (R 548 485 in 2007)

### **5. EXPRESSION OF APPRECIATION**

I would like to thank the mayor, councilors, management committee for the support they have given me and to the officials of the municipality and in particular to the staff of my own directorate for their assistance and support during the entire year.

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**MM ZUNGU**  
**CHIEF FINANCIAL OFFICER**  
**31 August 2008**

**UMHLABUYALINGANA LOCAL MUNICIPALITY  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ Deficit R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
44,843,623	53,534,038	(8,690,415)	<b>RATES AND GENERAL SERVICES</b>	34,293,561	32,199,926	2,093,635
44,843,623	53,534,038	(8,690,415)	Community services	34,293,561	32,199,926	2,093,635
-	-	-	Subsidised services	-	-	-
-	-	-	Economic services	-	-	-
-	-	-	<b>TRADING SERVICES</b>	-	-	-
44,843,623	53,534,038	(8,690,415)	<b>TOTAL</b>	34,293,561	32,199,926	2,093,635
		158,885	Appropriations for the year			266,420
		(8,531,530)	Net Surplus/(Deficit) for the year			2,360,054
		(3,011,369)	Accumulated Surplus/(Deficit) beginning of the year			(11,542,899)
		<u>(11,542,899)</u>	<b>ACCUMULATED SURPLUS/(DEFICIT) AT THE END OF THE YEAR</b>			<u>(9,182,845)</u>



**UMHLABUYALINGANA MUNICIPALITY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2007/2008 R	2006/2007 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		
Cash generated by operations	14 19,661,312	7,229,752
Investment income	(6,014,222)	(32,867,721)
(Increase)/Decrease in working capital	118,318	29,542
Less: External interest paid	15 (4,283,709)	4,559,055
<b>Cash available from operations</b>	(10,179,613)	(28,279,124)
Contribution from public and state	29,840,926	35,508,876
Net proceeds on sale of fixed assets	-	-
<b>CASH UTILIZED IN INVESTING ACTIVITIES</b>	(21,265,546)	(14,706,464)
Investment in Fixed assets	4 (21,265,546)	(14,706,464)
<b>NET CASH INFLOW / (OUTFLOW)</b>	(1,604,234)	(7,476,712)
<b>CASH EFFECTS OF FINANCIAL ACTIVITIES</b>		
(Increase) / Decrease in cash investments	11,497	(6,554,190)
(Increase) / Decrease in cash	17 (1,615,731)	(981,605)
<b>NET CASH (GENERATED)/ UTILISED</b>	(1,604,234)	(7,535,795)

**UMHLABUYALINGANA MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2008****1. STATUTORY FUNDS**

Capital development fund

2008  
R2007  
R

3,433,903

2,903,849

**3,433,903****2,903,849**

(Refer to appendix "A" for more details)

**2. RESERVES**

Proclamation Grant

Geog. Ins Sys Grant

Land Use Mgmt Sys Gr

FMG

Rate Implementation Grant

Project Consolidate

Investment Planning

MIG

Urban Development

DBSA

Library Subsidy

Nhlang Lake Resturant

Manzengwenya cultural project

Phelandaba Development

Kwa - Tembe Concrete project

-

130,620

-

9,755

100,000

779,610

234,504

430,014

-

396,283

1,286,000

3,736,045

-

441,763

2,153,950

1,511,904

1,975,000

670,000

78,900

180,000

180,000

150,000

180,000

**7,188,354****7,435,994**

(Refer to appendix "A" for more details)

**3. BANK, CASH AND OVERDRAFT BALANCES**

The municipality has the following bank accounts:-

**Current Account ( Primary Bank Account)**

First National Bank - Hluhluwe Branch - Acc.62025236408

Cash book balance at the beginning of the year -

Cash book balance at the end of the year - (overdrawn)

529,251.23

6,932,776.57

(1,086,044.03)

529,251.23

Bank statement balance at the beginning of the year- (overdrawn)

Bank statement balance at the end of the year - (overdrawn)

762,935.81

3,115,098.88

(513,415.56)

762,935.81



**UMHLABUYALINGANA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**12. REMUNERATION OF COUNCILLORS**

Mayor  
Deputy Mayor  
Speaker  
Executive Committee Members  
Councillors

**Total Councillor's Remuneration**

**In-kind Benefits**

The Mayor, Deputy Mayor and the Speaker are Part-time councillors.  
Each is provided with an office and the Mayor is provided with the  
Secretarial support at the cost of the council.  
The mayor has use of a council owned vehicle for official duties.

2008	2007
R	R
245,707	200,876
187,454	154,676
187,454	154,676
581,209	464,029
2,760,804	2,213,766
<b>3,962,628</b>	<b>3,188,023</b>

**13. APPROPRIATIONS**

Appropriation account:

Accumulated surplus/ ( deficit) at the beginning of the year

Operating surplus/ ( deficit ) for the year

Appropriation for the year

Contribution to CDF

Prior year adjustments

Accumulated surplus/ (deficit) at the end of the year

Operating account:

Capital expenses

Contribution to reserves

Contribution to bad debts provision

(11,542,899)	(3,011,369)
2,093,635	(8,690,415)
796,473.55	158,885
530,054	-
266,420	158,885
<b>(8,652,791)</b>	<b>(11,542,899)</b>
21,265,546	14,706,465
4,055,946	4,241,918
-	965,921
<b>25,321,492</b>	<b>19,914,304</b>

**14. CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year

Prior year adjustments

Appropriation charged against income

Capital development fund

Provisions

Reserves

Fixed assets

2,093,635	(8,690,415)
(266,420)	158,885
26,482,810	20,126,197
530,054	599,839
631,264	577,976
4,055,946	4,241,918
21,265,546	14,706,464
<b>28,310,025</b>	<b>11,594,667</b>
(179,736)	(29,542)
(4,303,586)	(8,923,970)
(29,840,926)	(35,508,876)
<b>(6,014,222)</b>	<b>(32,867,721)</b>

Investment Income

Transfer from reserves to operating income

Grants and subsidies received from the public and the state

**UMHLABUYALINGANA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>15. (INCREASE)/ DECREASE IN WORKING CAPITAL</b>		
(increase)/ decrease in long term debtors	-	34,375
(increase)/ decrease in short term portion for long term debtors	58,660	32,136
(increase)/ decrease in debtors	(1,152,123)	(533,994)
increase/(decrease) in creditors	(3,190,246)	5,026,538
	<b>(4,283,709)</b>	<b>4,559,055</b>
<b>16. ( INCREASE)/DECREASE IN INVESTMENTS</b>		
Investment at the beginning of the year	13,242	6,567,432
Investment at the end of the year	24,739	13,242
<b>Net (increase)/ decrease in cash equivalents</b>	<b>11,497</b>	<b>6,554,190</b>
<b>17. INCREASE/ (DECREASE) IN CASH</b>		
Cash at the beginning of the year	<b>535,243</b>	1,516,848
Cash on hand	5,992	-
Cash at bank	529,251	1,516,848
Cash balance at the end of the year	<b>(1,080,488)</b>	535,243
Cash on hand	5,556	5,992
Cash at bank	(1,086,044)	529,251
	<b>(1,615,731)</b>	<b>981,605</b>
<b>18. RETIREMENT BENEFITS</b>		
Employee belong to the following funds within the Natal Joint Municipal Pension / Provident Fund which provide retirement benefits to such employees,		
(i) Natal Joint Municipal Fund ( retirement)		
(ii) Natal Joint Municipal Pension Fund ( superannuation)		
(iii) Natal Municipal Pension Fund ( provident)		
(iv) Natal Municipal Councillors Fund		

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed at least every three years. The latest independent valuation of the fund s which indicated that the funds were in a sound financial position was undertaken on 31 March 2006



**UMHLABUYALINGANA MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>19. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
Approved and contracted for	12,096,000	15,210,000
Infrastructure	11,896,000	15,210,000
Community	-	
Other	200,000	
Approved but not yet contracted for	500,000	150,000
Infrastructure	-	150,000
Community	500,000	
Other	-	-
<b>Total</b>	<b>12,596,000</b>	<b>15,360,000</b>
 This expenditure will be financed from:		
Government Grants	12,396,000	15,360,000
Own Resources	200,000	-
	<b>12,596,000</b>	<b>15,360,000</b>
 <b>20 PRIOR YEAR ADJUSTMENTS</b>	<b>266,420</b>	<b>158,885</b>

Stale and cancelled cheques relating to prior year are reversed and charged to the appropriation account.

**21 OPERATING LEASES****(a) Gestetner Finance**

This represents an operating lease for one Gestetner Digital copier, the minimum lease period is 60 months which expires on 30 November 2009 and the rental amount is R 1 900.00 excl VAT pm with 15% escalation

**(b) Gestetner Finance (Fintech)**

This represents an operating lease for two Gestetner Digital copier, the minimum lease period is 60 months which expires on 30 November 2010 and the rental amount is R 1 250.00 excl VAT pm per machine with 15% escalation

**(c) Automated Office Tecnology (Pty) Ltd**

This represents an operating lease for one photocopy machine, the lease agreement is for 60 months which expires on 31 March 2012 with 7.5% escalation. The rental amount is R 1 895. 00 pm.

**UMHLABUYALINGANA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	R	R

**22. OPERATING LEASES ( continued)**

**(d) Automated Office Tecnology (Pty) Ltd**

This represents an operating lease for telephone management system, the lease period is 48 months expires on 31 March 2011 with 7.5% escalation. The rental amount is R 520.00 pm.

**(e) Canon**

This represents an operating lease for telephone equipments, the lease period is 48 months which expires on 31 March 2011 with 7.5% escalation. The rental amount is R 1 836.12 pm.